

Who Are Public Servants?: How Many - In Post? Needed?

Overall each of the countries had too few public (civil) servants to provide basic services, to maintain infrastructure, to collect taxes and to ensure law and order. Tanzania at perhaps 325,000 was close to adequate total numbers and Ethiopia at about 150,000 or Mozambique at 110,000 probably furthest away from them absolutely and Mali at 40,000 relatively. The correct Rwanda level of under 25,000 is not comparable though its pre-war base of 50,000 was also very low. The vast majority of public servants are employed in primary school teaching, basic health services, water and road maintenance, agricultural extension, tax collection, the police and the magistracy. Numbers do not appear to have grown rapidly since 1980. The peak for the Tanzanian public service was in 1974 (360,000 versus about 325,000 in 1994) in Mozambique in 1981 and in Mali in the late 1980s. Rwanda at present has half its 1993 public service size. Growth in Ethiopia has been from very low levels.

That total numbers are too low is consistent with three other characteristics:

- up to 5% of public servants on the payroll - at least until recently - were ghosts (retired, departed or dead);
- some - usually very low skill, low pay - cadres are overstaffed;
- many basic (and more senior) cadres need training or retraining to do their jobs properly and some will prove untrainable and need to be replaced.

A general note of caution is called for which pertains to all analyses of the strength and structure of the civil service in African countries. First, there are the inconsistencies in defining what constitutes the civil - or public - service. The terms public or civil service are often used interchangeably and with varying coverage not only between countries but also over time within the same country. In some countries, the public service is defined to include the civil service plus parastatals and special government agencies. In such cases, the term civil service is usually confined to employees in the central administration of the countries concerned. In others, local government employees and members of teaching services (primary, secondary and tertiary) are included in the civil service. Even when functions formerly performed by the civil service have been shifted to autonomous agencies (e.g. taxation and customs and excise), there is a tendency to still refer to the functionaries as civil servants. It is therefore difficult to impose a single definition. Even where it has been stipulated that civil servants are those Government employees on permanent and pensionable established posts, the practice has invariably been different from the theory as significant numbers of industrial class contract employees who arguably should be on temporary, wage-based employment contracts have been admitted to permanent and pensionable status. That is in itself debatable - if engineers and artisans are permanent employees, should maintenance personnel used year in and year out be on 90 day, non-pensionable, insecure terms or normal public service contracts?

Secondly, there is a pervasive lack of adequate and reliable data on the size, structure and remuneration of the civil service. Often there are no central records of non-established employees, and their total number can therefore not be correctly determined. Further, how public servants in universities, hospitals and other semi-autonomous units (e.g. the Ethiopian Highway Authority) are counted seems to vary from country to country, year to year and source to source. Given these realities, one can only use the term civil service broadly to describe employees on government payroll (including funding through subsidies and grants by the central government), whether or not they occupy established, non-established or industrial class positions and without separating, e.g., autonomous university or highway authority personnel from other education and works employees.

In practice the figures used include civil servants narrowly defined, teachers, local government employees and - where and to the extent known - comparable function employees funded by the state in 'parastatal' educational and medical institutions, joint state/domestic schools and hospitals and works authorities. Police are not included because no usable figures appear to exist at least for Ethiopia and Rwanda although in Tanzania they do appear on some - not all - civil service enumerations. Armed forces proper are consistently excluded.

How Much Would It Cost? Mozambique

The cost of raising the pay of civil servants providing core services to two-thirds of the household absolute poverty line at the bottom of the scale and having a career progression peaking at ten times the floor would be low in world terms - but large relative to recurrent budgets and present payrolls.

In Mozambique approximately 110,000 civil servants receive a total payroll of \$50 million on scales running from \$20 to \$200 a month with very few fringe benefits. The Household Absolute Poverty line is \$75 per month in towns and cities. The reformed pay scale would be \$50 to \$500 per month. Assuming a similar distribution of personnel over scales to the present one, the total payroll cost would rise to about \$125 million - by 150% or by about \$700 per civil servant per year.

Incorporating ex-Renamo service providers will lead to a 5% to 6% growth in public servants (following retraining) over 1995-97. Population growth plus targeting universal access to basic health services, primary education and water and maintenance of adequate basic infrastructure by 2010 implies a 1995-2010 trend growth rate in the public service of about 5% a year. Perhaps 5,000 supporting posts could still be eliminated but the impact on numbers and especially finance would be trivial.

The implication therefore is of a 150% initial payroll increase and growth thereafter at 6% a year assuming periodic reviews to maintain real remuneration levels and 1% a year incremental increases with additional training and average length of service.

The basic challenge is the initial increase. Given a 100% increase in GDP possible from restoration of peace, restoration of infrastructure and basic rural services and rehabilitation of livelihoods a 6% trend growth rate to 2010 is attainable. The *ad valorem* indirect and direct tax structures (even without reconstruction) are buoyant with respect to income and at present low pay and poor facilities result in up to 50% tax evasion (especially on land frontier imports which then evade subsequent sales tax as well). 10% a year is a conservative revenue growth target under these circumstances.

There is only a small budgetary peace dividend - because the army was very poorly paid, fed and equipped - which may go largely to expanding the minuscule basic civil police force (apparently under 2,000 as of 1992). The real fiscal payoff of peace is increased tax revenue from additional output made possible by peace.

Foreign assistance reallocation is the most promising source of the initial increase. Capital plus emergency survival support assistance has been running of the order of \$900 million a year (excluding debt rescheduling) and technical assistance not covered in basic balance of payments and Consultative Group data of the order of \$300 million.

Expatriate salaries, allowances and associated expenses under technical assistance and expatriate managers embedded in capita projects total of the order of \$350 million a year for about 2,500 persons. Half at least are operational personnel filling gaps caused by low Mozambican pay leading to high turnover and exodus to sub-professional jobs abroad especially in South Africa, Portugal and Brazil.

If one-third of technical assistance were reallocated to budget support; emergency survival support phased down over five years with the reducing flow used for budget support and balance of payments and commercialised food aid counterpart funds usable for any line under agreed sectors and programmes (rather than any non-salary line as is *de facto* the present case) the total would be \$175 to \$200 million a year initially, nominally falling to \$100 to \$125 in year six as emergency assistance's conversion to rehabilitation phased out. However, as new specialised and university graduates remained in the public service and others returned, further savings on (reallocation from) technical assistance should be possible.

The case is not for designated payroll support as such. Rather it is for transfer envelopes allocated to agreed sectors - or overall core public service delivery - on the basis of an *ex ante* agreed resource allocation and physical service delivery target pattern. *Ex post* propriety auditing of the monetary flows and management auditing of deliveries could ensure accountability better than the present more complex but less inclusive system.

Gross Domestic Product - And All What?

The per capita GDP of all five countries studied is without doubt low. The absolute estimates from \$60 for Mozambique through \$300 for Mali, however, pose user problems.

The first is that the cost of living in all five countries is below the world average. In principle, comparative purchasing power figures would help assess if the underlying GDP data were reasonably accurate. In practice, actual studies - as opposed to somewhat simplistic model estimates - do not exist and the estimates, at least in the case of Mozambique, appear to over-adjust.

The second is that the Mozambique, Ethiopia and Tanzania figures - for divergent reasons - grossly underestimate GDP compared to Rwanda and Mali. Mozambique in practice has no meaningful small family farming, household enterprise or small commercial enterprise sector estimates and has GDP deflators so low relative to consumer price growth (no actual CPI exists either) as to suggest further underestimation of current price GDP. Ethiopia has almost as severe data deficiencies. Tanzania's constant price GDP estimates (the basic ones for virtually all sectors) may be above the African average in quality. The price indices are simply wrong. For over two decades they have been less than half the CPI inflation rate. Exports are far too low a share of GDP to account for this, even taken together with falls in public service real wages.

Adjusting for these differences suggests the following orders of magnitude, Mali \$300 (using World Bank estimate), Rwanda pre-war \$250 (WB estimate), Tanzania \$220 (versus \$110), Ethiopia \$165 (versus \$110), Mozambique \$125 (versus \$60). However, cost of living varies with rough estimates of monthly six person household absolute poverty lines \$60 for Ethiopia, \$75 for Mozambique and Tanzania, \$90-100 for 1995 Rwanda, \$125 for Mali. That suggests pre-war Rwanda and Tanzania were highest with Mali 10% to 15% below, Ethiopia up to a third poorer and Mozambique only three-fifths of the least poor two. These estimates are highly subjective but do accord better with visual impressions and some physical and social indicators than do the raw GDP data.

Third, real growth trends expressed in dollars are highly misleading even with exchange rate smoothing because of very sharp real devaluation (from overvalued levels) since the mid-1980s in Tanzania and Mozambique and in the 1990s in the other three countries. Because exports are - except for pre-war Rwanda - small relative to GDP, constant price domestic currency growth estimates are probably more meaningful. These are of the order of 4% for Tanzania and (from 1992) Ethiopia, 3% (but very unstable) for Mozambique, under 2% for Mali and negative for Rwanda including (1% excluding) the war period.

How Much Would It Cost? Tanzania

Tanzania's scale for wages of two-thirds the absolute poverty line at base core service deliverer level with a ceiling ten times the base is \$50 to \$100 range as in Mozambique.

Calculation of base remuneration costs is harder, because of a plethora of hidden allowances and a listing of pay of staff employed by District Councils (basically primary teachers), autonomous educational institutions (slightly misleadingly termed parastatals) and domestic social sector health employees paid by the state as "transfer payments". These take the nominal \$100 million payroll to a probable \$150 million total for about 325,000 public servants. This suggests average pay about equivalent to Mozambique's but slightly lower at the bottom and, perhaps, middle and - because of hidden allowances spawned after 1985 to cushion real pay falls and massively increased in an aborted attempt in the early 1990s to regularise and monetise - significantly higher for the top 1% to 2%.

Total remuneration (including a much more limited and transparent core of allowances) on the proposed reformed scale would be of the order of \$325 to \$350 million a year.

The necessary growth rate for the public service in Tanzania - assuming universal basic service and infrastructure access by 2010 and a 2.5% population growth rate - is of the order of 3.0% to 3.5% a year. With an upward creep in training and experience, payroll increases after the initial shift might average 5% a year in real terms.

Most savings on ghost workers and surplus support staff have already been taken. Current parastatal subsidies - as opposed to banking system re-capitalisation in respect to past losses - are very low. Defence costs at 10% of budget are potentially reducible, but only if stable political systems emerge on Tanzania's Western Frontier as they notably have not over 1961-1995.

Revenue growth from better collection could probably restore recurrent revenue from 16% to 24% of GDP. With 4% to 6% trend growth of output over 1995-2010 and a clearly income buoyant tax system (part of its problem especially in the early 1980s), annual revenue growth after collection restoration should average 6% to 8% a year.

Tanzania's recent basic aid flows have been of the order of \$800 million a year excluding debt rescheduling and non-budget channelled/non-Balance of Payments covered technical assistance. Total technical assistance and capital project embedded expatriate salaries and related expenses for approaching 2,000 persons exceed \$200 million and probably are at least \$250 million. While few are in operational roles, a large number appear to be very peripheral to any actual operations and to duplicate in post Tanzanians. As in Mozambique, *de facto* limitation of use of counterpart fund proceeds for payroll costs reduces efficiency in use of external transfers.

Reallocating one-third of technical assistance and making counterpart funds fully available by programme for all expenses related to that programme or sector would free \$90 to \$100 million a year for budgetary support. In addition, enhanced revenue collection (including adequate pay for tax constables and collectors) could by the end of the year two, enhance domestic recurrent revenue by at least 3% of GDP or about \$90 million a year. These two roughly equal potential sources could provide a total of \$180 to \$190 million a year comparable to the initial cost of \$175 to \$200 million a year for reformed remuneration schedules.